

Funding California's SCHIP Coverage: What Will it Cost?

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Contents



- ❖ Purpose
- ❖ Background: What is SCHIP?
- ❖ Key Findings
- ❖ Methods
- ❖ What are California's SCHIP Needs?
- ❖ Impact of Various Funding Levels on California's Children in SCHIP Programs

Purpose



- ❖ This study helps inform policymakers as to California's need for future federal funding over the next five years.
- ❖ It also explains the impact that various national funding approaches would have on California's SCHIP Programs, including the Healthy Families Program.

Background



- ❖ The State Children's Health Insurance Program (SCHIP) was:
 - Created in 1997 under Title XXI of the Social Security Act.
 - Given 10 years of federal funding to help states purchase health insurance for low- and moderate-income children.
 - SCHIP uses specified formulas to distribute a national allotment among states. Additional formulas re-distribute funds from states that cannot spend all allotment funds to those that can.

- ❖ California spends more SCHIP dollars than any other state. The state's flagship SCHIP program is known as the Healthy Families Program (HFP):
 - Covers 770,000 children as of 2006 year end, and
 - Serves children up to 250% of the Federal Poverty Level.

Background: Programs Considered



California uses SCHIP funding for a variety of State programs.

- ❖ Healthy Families Program, including:
 - Severely Emotionally Disturbed (SED) Children
 - California Children's Services (CCS)
- ❖ Medi-Cal Associated Programs
 - Such as the Gateway, Presumptive Eligibility, and Accelerated Enrollment
- ❖ Access for Infants & Mothers (AIM)
 - Prenatal Care

Background: Healthy Families Success



- ❖ SCHIP successfully decreased the rate of uninsured children nationally and in California:
 - California's uninsured rate for children fell from 21% in 1998 to 14% in 2005, despite economic downturns.
- ❖ Under Healthy Families, California's children have seen improved health status. According to recent studies, children in the Healthy Families Program versus the uninsured:
 - Received more preventive care;
 - Experienced fewer instances of unmet needs;
 - Self-reported improved health status;
 - Had better access to care;
 - Had improved communication with providers.

Background:



Now, federal SCHIP funding is about to run out.

- ❖ Federal policymakers will need to budget additional funding for SCHIP if state programs are to continue operating.
- ❖ By law, states can use any unspent SCHIP funds after 2007, including funds redistributed from other states.
- ❖ But, as of now, the law allows for no additional funds to be added to SCHIP.

Background: Federal Budgeting



- ❖ Federal budget rules assume that “mandatory” programs, such as SCHIP, will continue to spend the same amount of money in future years as was spent in the final year of funding.
 - This amount is referred to as the “baseline” funding level.
- ❖ In terms of SCHIP, this means that the federal budget assumes that \$5.04 billion will be spent in the next year.
 - Thus, \$5.04 billion is the baseline funding level for SCHIP.
 - Or: the SCHIP federal baseline is \$25 billion over 5 years.

Background: National Scene



Projected Need by National Groups

- ❖ National advocates in Washington DC have called for spending of \$85 billion over 5 years in SCHIP and Medicaid funding.
 - ❖ *Jargon Alert:* The \$85 billion is only ever called “an additional \$60 billion” because the baseline is assumed.
- ❖ A coalition of over 60 children’s advocacy groups has called for the additional \$60 billion. They include:
 - PICO national, the American Academy of Pediatrics, and AFL-CIO, The Georgetown University Health Policy Institute, and The Congressional Hispanic Caucus.

Background: National Scene



- ❖ There is some ambiguity in the structure of the national request for an “additional \$60 billion” over 5 years. It appears the national request breaks down as:
 - \$25 billion is the SCHIP baseline (the \$60 billion lies on top),
 - \$13.4 billion is to “maintain enrollment in existing SCHIP programs”,
 - \$46.1 billion is for a mix of SCHIP and Medicaid programs that would help cover more children.
- ❖ In the national request, there is no clear distinction between what is SCHIP spending and what is Medicaid spending.

Key Findings



- ❖ The national request for \$60 billion over five years in additional SCHIP and Medicaid funding would likely be sufficient for California.
 - ❖ BUT: If there is less than \$35 billion in additional funds dedicated to SCHIP only, then California will likely need new federal formulas that better target SCHIP funds.
- ❖ The President's 2008 SCHIP budget proposal could result in a California funding shortfall between \$2.1 and \$3.4 billion over five years.
 - If enacted, 600,000 to 950,000 children could be dropped from SCHIP programs in Year Five of the reauthorization.

Key Findings



- ❖ Overall, California will need between \$6.7 and \$8.1 billion in federal dollars over the next five years to meet and sustain current programs funded by SCHIP.
 - This is \$2.8 and \$4.2 billion above the federal baseline.
 - Covering children from 250% to 300% of FPL and adding federal funds for legal immigrants would cost an additional \$700 million in federal dollars over 5 years.
- ❖ In total, the health insurance coverage of as many as 1.5 million Californians are at risk during this debate.
- ❖ SCHIP reauthorization will determine how much money California needs to spend to achieve universal coverage.

Methods: Approach



- ❖ Fundamentally, this study is a budget forecast.
 - The assumptions are based on historical growth of relevant budget line items.

- ❖ Throughout the study, assumptions are made based on low, moderate, and high rates of change for various factors.
 - This gives a range of costs to the reader.

Methods: Assumptions



- ❖ There are more than 40 separate budget assumptions made in the study, including:
 - *Growth in Per Child Costs for Healthy Families:* Ranges from 2.96% (low) to 4.03% (high).
 - *Take-up Rate:* For eligible but not enrolled children into Healthy Families, ranges from 30% (low) to 99% (high).
 - *Growth in Costs for Medi-Cal related programs under DHS:* Ranges from 6% (low) to 10% (high).
 - *Percentage of National Allotment Received:* California continues to receive 16%, as is true in the current year.
 - *Assumes allotments will be available for 3 years, as today.*

California's Overall Need



Projected Costs for California's SCHIP-Funded Programs

Five Year Federal Costs Based on Current Eligibility Rules (Numbers in Millions, May Not Add Due to Rounding)

	Five-Year Projected Cost		
	Low-Cost Range	Mid-Cost Range	High-Cost Range
Healthy Families Program	\$4,591	\$5,109	\$5,673
Other Title XXI Programs	\$2,134	\$2,290	\$2,458
<i>Total Projected Spending</i>	<i>\$6,726</i>	<i>\$7,399</i>	<i>\$8,130</i>
<i>Projected Spending Above California's Federal Baseline</i>	<i>\$2,771</i>	<i>\$3,444</i>	<i>\$4,175</i>

Note: Technically, only the full federal SCHIP program has an established federal baseline (as discussed earlier). This paper assumes that California will continue to receive 16% of the national SCHIP baseline allotment. This allows for California's funding need to be discussed in the same way as the overall SCHIP program need.

California's Overall Need



Projected Costs for California's SCHIP-Funded Programs

Year-by-Year Federal Costs Based on Current Eligibility Rules (Numbers in Millions, May Not Add Due to Rounding)

		FFY 08	FFY 09	FFY 10	FFY 11	FFY 12	Total
High	Total	\$ 1,323	\$ 1,457	\$ 1,607	\$ 1,778	\$ 1,965	\$ 8,130
	Over Baseline	\$ 532	\$ 666	\$ 816	\$ 987	\$ 1,174	\$ 4,175
Mid	Total	\$ 1,240	\$ 1,348	\$ 1,467	\$ 1,601	\$ 1,744	\$ 7,399
	Over Baseline	\$ 449	\$ 557	\$ 676	\$ 810	\$ 953	\$ 3,444
Low	Total	\$ 1,159	\$ 1,245	\$ 1,337	\$ 1,439	\$ 1,546	\$ 6,726
	Over Baseline	\$ 368	\$ 454	\$ 546	\$ 648	\$ 755	\$ 2,771

Comparison of Findings



Comparison to Other Estimates:

- ❖ Other analysts have released estimates of the SCHIP shortfall nationally and in California, including the California Budget Project (CBP).
- ❖ The findings presented in this paper are slightly higher, but consistent with, those of other analysts in considering need spending to maintain existing programs.

California's Five Year Need (Numbers above Baseline)

	Very Low	Low	Moderate	High
CBP Estimate	\$2,011	\$2,484	\$2,988	Not Given
CHCF Estimate	Not Given	\$2,771	\$3,444	\$4,175
Difference	--	\$287	\$456	--
Percent Difference	--	12%	15%	--

Low Funding Will Impact CA Kids



If: SCHIP allotment is baseline (\$25B total for 5 yrs)

Then: California will face a funding shortfall and could disenroll as many as 1.2 million children from SCHIP programs.

		FFY 08	FFY 09	FFY 10	FFY 11	FFY 12
High	Shortfall	\$319,572,000	\$666,159,000	\$816,142,000	\$987,333,000	\$1,174,259,000
	Kids Affected	382,583	766,471	902,548	1,049,347	1,199,411
Mid	Shortfall	\$236,579,000	\$557,259,000	\$676,046,000	\$809,511,000	\$952,684,000
	Kids Affected	284,631	647,712	759,103	878,066	998,194
Low	Shortfall	\$156,071,000	\$454,091,000	\$546,025,000	\$647,633,000	\$754,678,000
	Kids Affected	188,730	533,2008	622,569	716,988	811,218

Note: “Shortfall” refers to the difference between California’s projected need and the federal support received under each scenario. “Kids Affected” refers to the children who may be dropped from Healthy Families due to lack of federal support. Does not take into account redistribution of funds from other states. Please see the full paper for all assumptions used.

Pres. Bush's Budget Proposal of \$4.8B over 5 Years is Not Enough



If: SCHIP funding has an additional \$4.8B for 5 yrs. (\$30B total)
Then: California will face a significant funding shortfall and could drop children from coverage.

		FFY 08	FFY 09	FFY 10	FFY 11	FFY 12
High	Shortfall	\$319,572,000	\$621,839,000	\$574,222,000	\$745,413,000	\$932,339,000
	Kids Affected	382,308	715,477	635,016	792,252	952,310
Mid	Shortfall	\$239,007,000	\$519,051,000	\$445,662,000	\$586,946,000	\$739,179,000
	Kids Affected	287,552	603,302	500,415	636,652	774,490
Low	Shortfall	\$160,893,000	\$370,621,000	\$326,345,000	\$442,491,000	\$566,093,000
	Kids Affected	194,560	435,194	372,094	489,877	608,505

Note: “Shortfall” and “Kids Affected” are defined on earlier slide. Does not take into account redistribution of funds from other states. Please see the full paper for all assumptions used. The findings here are based on best current understanding of the President’s budget.

Further Note: This analysis assumes no funds from state redistribution. Based on that factor, CBPP found minimal negative impact in the first year of the Bush SCHIP proposal.

Funding Level Impact on CA Kids



If: SCHIP allotment has an additional \$35B for 5 yrs. (\$60B total)
Then: California has sufficient funds to maintain existing programs.

		FFY 08	FFY 09	FFY 10	FFY 11	FFY 12
High	Shortfall	None	None	None	None	None
	Kids Affected	None	None	None	None	None
Mid	Shortfall	None	None	None	None	None
	Kids Affected	None	None	None	None	None
Low	Shortfall	None	None	None	None	None
	Kids Affected	None	None	None	None	None

Note: “Shortfall” and “Kids Affected” are defined on earlier slide. Assumes SCHIP allotments are available for three years. Please see the full paper for all assumptions used.

Estimated Federal Cost of Expanded Eligibility



- ❖ At an additional \$35 billion above baseline over 5 years (\$60 billion total), there is sufficient funding to California for certain expansions.
 - Children from 250% to 300% of poverty; and
 - Children who are banned from support under SCHIP due to the Five Year immigration rule (federal funding is available only for those who have been here five years or longer).
- ❖ It would cost an additional \$700 million in federal funds over five years to expand coverage to these groups.

Will federal funding decide if California has a shortfall?



- ❖ Many factors will decide if there is a funding shortfall in California. California appears safe at an additional \$60B nationally, and likely only needs less, but:
 - Of the national request, how much is Medicaid?
 - Will children above 200% FPL still have enhanced match? (The President calls for enhanced match up to 200% FPL only.)
 - Are allotments available for three years?
 - Will additional funding spread evenly over the five years?
 - Will California continue to receive 16% of the national allotment? Will funds be better targeted to states?
 - What is the re-allotment formula? How much money will California receive from other states?

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Comments & Questions



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